

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 3829

February 29, 2012

SUMMARY OF BILL: Authorizes the dependents, under the age of 24, of current county or municipal employees, county or municipal employees killed in the line of duty, retired county or municipal employees with at least 25 years of service, and retired teachers with at least 25 years of service, to receive a twenty-five percent tuition discount at all public institutions of higher education and technical vocational schools.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$4,158,200/FY12-13

\$4,448,900/FY13-14

Exceeds \$4,448,900/FY14-15 and Subsequent Fiscal Years


Assumptions:

- Lost revenues to higher education institutions resulting from a tuition discount will be replaced with state funds rather than higher tuition and fees.
- It is difficult to calculate how many local government employees have been killed in the line of duty and the age of their dependents; however, it is assumed by TBR and UT that this number is not significant.
- Only retired teachers and municipal or county employees under the age of 59 will have dependents eligible to participate in the program. According to the Tennessee Consolidated Retirement System's 2011 annual report, there are 3,755 retired teachers and 4,082 retired municipal or county employees under the age of 59 for a total of 7,837. According to the Tennessee Board of Regents (TBR) and the University of Tennessee (UT), the weighted average percentage of retired teachers or retired local employees who have 25 years of service or more is 50 percent.
- Approximately 3,919 ($7,837 / 2$) retired teachers or retired local employees will have dependents eligible to receive the discount.
- According to TBR and UT, there are approximately 81,780 current local government employees, of those 85 percent or 69,513 may have eligible dependents.
- A total of 73,432 people ($69,513 + 3,919$) may have eligible dependents who are not currently receiving a tuition discount.
- According to the Tennessee Higher Education Commission, there are approximately 79,500 active certified public school teachers.

- According to the Tennessee Board of Regents (TBR), 4,204 discounts were given to dependents of these teachers in FY10-11. This is one discount for every 19 teachers.
- An estimated 3,865 ($73,432 / 19$) new students will receive tuition waivers at TBR schools.
- TBR assumes a seven percent average increase in the tuition discount each year. The tuition waiver at TBR schools for FY10-11 was \$553 and increased to \$591 in FY11-12.
- The tuition discount will be \$633 in FY12-13 and \$677 in FY13-14.
- The increase in state expenditures for TBR in FY12-13 will be \$2,446,545 ($\$633 \times 3,865$).
- The increase in state expenditures for TBR in FY13-14 will be \$2,616,605 ($\$677 \times 3,865$).
- According to the University of Tennessee (UT), 2,216 tuition discounts were given to dependents of active teachers in FY10-11. This is one discount for every 35.9 teachers.
- An estimated 2,045 ($73,432 / 35.9$) new students will receive the tuition discount at UT schools each year.
- According to UT, the average tuition discount in FY10-11 was \$731 and increased to \$782 in FY11-12.
- UT assumes an average increase of seven percent in the tuition discount each year. The tuition discount will be \$837 in FY12-13 and \$896 in FY13-14.
- The increase in state expenditures for UT in FY12-13 will be \$1,711,665 ($\$837 \times 2,045$).
- The increase in state expenditures for UT in FY13-14 will be \$1,832,320 ($\$896 \times 2,045$).
- Total increase in state expenditures in FY12-13 will be \$4,158,210 ($\$2,446,545 + \$1,711,665$).
- Total increase in state expenditures in FY13-14 will be \$4,448,925 ($\$2,616,605 + \$1,832,320$).
- The average tuition discount will grow approximately seven percent each year, resulting in an increase in state expenditures exceeding \$4,448,925 in FY14-15 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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